

This letter discusses issues related to tangible personal property purchased for use or consumption within an enterprise zone in the process of manufacturing or assembling by certain business enterprises certified by the Department of Commerce and Community Affairs. 86 Ill. Adm. Code 130.1951(g). (This is a GIL.)

August 17, 2007

Dear Xxxxx:

This letter is in response to your letter received in Legal Services on January 9, 2007, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC is a manufacturer of a variety of bus and rail components used in the transportation industry. Our product is typically sold to other manufacturers who further integrate our parts into their product.

Our question relates to the enterprise zone exemption. We have a production facility in Chicago, located within a qualified enterprise zone.

We are currently in the process of purchasing new computer equipment. Some is used directly in production, and some is used in administration and sales. With regard to the later, would purchases of equipment of non-production related computer equipment qualify for an exemption of sales tax.

We had spoken on the phone to your sales tax division, and they said it would best to write in and request a written response.

If you have any further questions, I can be reached at #

## DEPARTMENT'S RESPONSE

We do not have enough information reporting your business to provide any specific information. However, we hope that the following is helpful.

There is an exemption that you can find at 86, Ill. Adm. Code 130.1951(g) (available on the Department's web site) regarding Tangible Personal Property Purchased for Use or Consumption within an Enterprise Zone in the Process of Manufacturing or Assembling by Certain Business Enterprises Certified by the Department of Commerce and Community Affairs.

As set forth in Section 130.1951(g), effective September 25, 1985, the Illinois Retailers' Occupation Tax does not apply to retail sales of tangible personal property to be used or consumed within an enterprise zone or subject to the provisions of Section 5.5 of the Enterprise Zone Act, all tangible personal property to be used or consumed by any high impact business, in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease so long as the use or consumption is made by business enterprises that in the case of a high impact business having been designated pursuant to the terms of Section 5.5(a) of the Enterprise Zone Act [20 ILCS 625/5.5] or:

- A) in the case of an enterprise zone:
  - i) make investments which cause the creation of a minimum of 200 full-time equivalent jobs in Illinois; or
  - ii) make investments which cause the retention of a minimum of 2,000 full-time jobs in Illinois; or
  - iii) make investments of a minimum of \$40,000,000; and
- B) are located in an enterprise zone established pursuant to the Illinois Enterprise Zone Act; and
- C) are certified by the Department of Commerce and Community Affairs as complying with the requirements specified in subsections (f)(1)(A) and (B); and
- D) retain at least 90% of the jobs in place on the date on which the exemption is granted and for the duration of the exemption. (Sections 1d and 1f of the Act).

Business enterprises seeking certificates of eligibility must make application to the Department of Commerce and Community Affairs (now known as the Department of Commerce and Economic opportunity or DCEO) on application forms provided by DCEO. The Illinois Department of Revenue has no authority to certify business enterprises for the purposes of this exemption.

Section 130.1951(g)(6) requires tangible personal property to be used primarily (over 50% of the time) in an exempt manner in order to claim the deduction. See Section 130.1951(g)(7) for examples of tangible personal property that is not considered to be used or consumed in the manufacturing process. Section 130.1951(g)(7)(F) specifically provides that tangible personal property used or consumed in managerial, sales, or other non-production activities are used in a non-exempt manner.

If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you

wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote  
Associate Counsel

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